

**Department of Health and Human Services
Health Care Financing Administration
Operational Policy Letter #107
OPL99.107**

Date: November 30, 1999

To: Current Medicare+Choice (M+C) Organizations

Subject: Contract Year (CY) 2000 Mid-Year Benefit Enhancements to M+C Plans

Effective Date: November 30, 1999

Purpose: Provide clarification of rules for enhancing M+C plans.

Current Policy: Organizations submit proposals to HCFA plan managers using formats available on the HCFA Internet site.

Change in Policy: Organizations submit revised Adjusted Community Rate/Benefit Information Form (ACR/BIF) materials.

Summary: Instructions for electronic submission of revised ACR/BIF; submission of hard copy ACR and supporting documentation; submission of beneficiary notice and related marketing materials.

Definition of M+C Plan Benefits

Federal regulations at 42 CFR 422.2 define a benefit as a health care service that is intended to maintain or improve the health status of enrollees for which the M+C organization (M+CO) incurs a cost or liability under an M+C plan and that is approved within the ACR process.

Basic Rules for Benefit Enhancements

Federal regulations at 42 CFR 422.300(b)(1) allow M+COs to enhance M+C plans during a CY through the period ending on January 1, 2002. Pursuant to 42 CFR 422.300(b)(1), enhancements may include one or a combination of the following elements:

- Adding new benefits at no additional cost to the plan enrollee¹;

¹ An M+CO may enhance an M+C plan by adding a partial benefit whereby the organization does not pay for the entire cost of the added benefit, but rather, pays at least part of a cost for which the enrollee

- Reducing premiums; or
- Reducing other cost-sharing amounts (i.e., copayments, coinsurance, and deductibles).

Regulations do not allow organizations to exchange M+C plan benefits and/or cost sharing amounts if a plan enrollee could receive fewer benefits and/or pay more for a benefit covered by the M+C plan. For example, an organization may not replace a coinsurance amount (percent of benefit cost) with a copayment amount (fixed cost per service) during a CY, because in an individual case, this could increase a beneficiary's cost. An organization may, however, add additional cost sharing options during a CY. For example, a plan could allow beneficiaries to pay the lesser of a plan coinsurance amount or copayment amount for a particular plan benefit. All approved enhancements to an M+C plan must be offered to both new and prospective enrollees² throughout the M+C plan service area in addition to all existing enrollees in the M+C plan.

Proposed changes to M+C plan benefits or cost sharing which do not meet the above requirements will not be approved by HCFA.

General Notification Requirements

Federal regulations at 42 CFR 422.111(d)(2) require M+COs to notify plan enrollees at least 30 days prior to a change in plan rules. Since changes in benefits are considered a change in plan rules, organizations are required to notify plan members of approved benefit enhancements at least 30 days prior to the effective date. Furthermore, pursuant to 42 CFR 422.80(a), organizations must submit all member notifications and other revised marketing materials to the HCFA regional office (RO) for approval.

M+C Plan Service Areas

would otherwise be fully liable. The remaining cost of the benefit would remain a liability of the beneficiary. Therefore, the amount paid by the plan enrollee for the remainder of the benefit is not considered a cost to the enrollee for purposes of 42 CFR 422.300(b)(1). For example, an M+CO may provide for coverage of all but \$10 of the cost of a prescription where there was no previous coverage of prescription drugs. Since the plan covers all but \$10 of the cost of the drugs, the enrollee would remain liable for only \$10 of the amount for which he or she was fully liable before. If the cost of the prescription drug were less than \$10, the enrollee would be responsible for the full cost of the drug. An enhancement may not be offered as an optional supplemental benefit.

² Federal regulations require that M+COs market to, and accept, new enrollees only during mandatory election periods (e.g., annual election period, initial coverage election period, and special election period). In addition, organizations that have approved limits on enrollment based on capacity may limit or close enrollment during the CY. Organizations which are 'closed' for these reasons do not need to reopen enrollment in order to offer enhanced benefits.

M+COs were required to assign a service area(s) to an M+C plan as part of the annual filing of the on the ACR/BIF July 1, 1999, which was approved as part of the ACRP approval process. Federal regulations at 42 CFR 422.300(b)(1) do not authorize organizations to modify M+C plan service areas during the CY³.

Important Dates

Several important dates regarding the CY 2000 benefit enhancement process are noted below. Please note that HCFA will begin accepting proposals to enhance M+C plans beginning December 15, 1999 and continuing through August 1, 2000. HCFA has determined that it will not agree to changes in M+C plans prior to the beginning of the CY, or January 1, 2000. Furthermore, proposed enhancements to M+C plans will be effective no earlier than February 1, 2000 and must obtain prior approval from HCFA. Organizations can, however, request that a benefit enhancement be effective at some later date⁴.

HCFA begins accepting proposals to enhance M+C plans	Dec. 15, 1999
HCFA begins to send approval notices for M+C enhancements	Jan. 1, 2000
First potential effective date for benefit enhancements	Feb. 1, 2000
First update of Medicare Compare (MCC) data to include approved mid-year benefit enhancements	Feb. 5, 2000
Final date to submit CY 2000 mid-year benefit enhancements ⁵	Aug. 1, 2000

Process for Enhancing Year 2000 Benefits

(1) Electronic submission of revised ACR/BIF.

Beginning CY 2000, HCFA will require organizations to file a revised ACR/BIF when requesting enhancements to M+C plans. Organizations will be allowed to

³ In general, organizations may not add to (or otherwise revise) service areas for a previously approved M+C plan. M+COs may, however, expand contracts to include additional service areas during a CY. Additional information regarding M+C plan requirements for expanded service areas is available as part of the contract expansion, application and approval process.

⁴ Organizations may request a future (i.e. prospective) effective date at the time they submit a benefit enhancement proposal to HCFA. This request must be input electronically into the Health Plan Management System (HPMS) when the revised ACR/BIF is uploaded. The final, approved benefit enhancement will be effective as of the later of the plan proposed (future) effective date, or the actual date the proposal is approved by HCFA.

⁵ The selection of August 1 as the last day to submit CY 2000 mid-year benefit enhancements is based upon the final date to market CY 2000 benefits (October 15). August 1 allows sufficient time to review and approve proposals and notify beneficiaries of enhancements prior to this marketing deadline.

modify the ACR/BIF only as necessary to reflect benefit or cost sharing enhancements allowable under 42 CFR 422.300. Organizations will not be allowed to modify ACR/BIF data elements that are not impacted by the proposed enhancement. For example, organizations may not revise cost estimates for plan benefits when proposing to reduce the plan premium. Detailed user instructions for revising the ACR/BIF forms may be obtained from the HPMS Internet site. Once the M+CO's proposal is approved, they will be able to see the new, approved BIF online in the HPMS.

All proposals must be submitted to HCFA electronically through the HPMS. At the time of upload, M+COs will be prompted to provide certain, detailed information regarding the organization's proposed enhancements. At a minimum, organizations will be required to provide:

- The affected M+C contract number and plan ID (e.g., H9999/001)
- The proposed effective date of the enhanced benefit
- The type of mid-year benefit enhancement (e.g., premium reduction, reduction in cost sharing other than premium, current benefit enhancement, or addition of new benefit)
- Narrative description of the proposed change (e.g., increasing the maximum amount of prescription drugs covered from \$750 annually to \$1,000 annually AND decreasing the copayment for primary care services from \$10 per visit to \$5 per visit, etc.)

(2) Hard copy submission of revised ACR (with relevant supporting documentation)

M+COs must submit a paper copy of the revised ACR and all necessary supporting documentation. Documentation is needed **ONLY** to support the proposed enhancements. Paper documents must contain the appropriate signed certifications from organization officials as noted on Worksheet A. The revised ACR and the supporting documentation must be mailed to the following address:

LMI
Attn: ACRP
2000 Corporate Ridge
McLean, VA 22102-7805

(3) Submission of revised marketing materials

M+COs must submit the beneficiary notice, amendment to the Summary of Benefits (SB), amendment to the Evidence of Coverage (EOC), and any other applicable marketing materials to the HCFA RO for approval. This information should be sent to the RO at the same time the revised ACR/BIF are submitted. The review of marketing materials will occur concurrently with the ACR/BIF review when

possible. Upon receipt of approval, M+COs must submit an addendum to the SB and an addendum to the EOC along with the beneficiary notice to current enrollees.

NOTE: HCFA may not begin reviewing proposals until all information noted above is received.

Special Instructions for February 1 Effective Date

Organizations who desire to enhance benefits effective February 1, 2000 may submit a written proposal to HCFA beginning December 1, 1999. Written information should include a paper copy of the ACR (including appropriate signatures on Worksheet A), the BIF Summary Report (printed from the BIF2000 software), and all supporting documentation for the ACR changes. In addition, organizations should submit a cover letter describing the proposed enhancements. This notice and accompanying information should be sent to:

Health Care Financing Administration
Division of Premiums and Financial Evaluation
C4-18-27
Attn: Theresa Conrad
7500 Security Boulevard
Baltimore, MD 21244-1850

In addition, organizations should submit a copy of the member notification, amendment to the SB, and amendment to the EOC to the HCFA RO for review and approval. Beginning December 15, these organizations must also submit the ACR/BIF information electronically through the HPMS (see "Process for Enhancing Year 2000 Benefits"). To increase the probability of a February 1 effective date and to ensure that benefit information is updated in MCC on February 5, electronic submissions should be sent no later than January 1, 2000.

Notice of Approval

HCFA will mail a letter of approval to both the organization's CEO and its contact person for the ACR. A copy of that letter will be distributed to appropriate HCFA staff in the central office and ROs. Approval for the marketing materials will be sent by the RO under separate cover.

MCC Update

The MCC data is currently available on the HCFA Internet site (i.e., <http://www.Medicare.gov>) and will be updated on the 5 of each month. Prior to the update of MCC data going live on the Internet, M+COs will be given an opportunity to preview the data according to the following schedule (this applies to those benefit enhancements that directly relate to MCC):

- Six (6) business days prior to the 5 of the month, MCC data will be generated for the next monthly M+CO preview.
- Five (5) business days prior to the 5 of the month, M+COs will be given two (2) business days to preview their MCC data.
- Three (3) business days prior to the 5 of the month, MCC data will be re-generated for the live MCC data to be displayed on the 5.

Any mid-year benefit enhancements that have not been approved by HCFA by the 6th business day prior to the 5th day of the following month will not be included in the MCC data for that month. For example, if the next MCC update is March 5, 2000, then 6 business days prior to March 5 is February 25. Any mid-year benefit enhancements that have not been approved by HCFA by February 25 will not appear in MCC on March 5. Approvals subsequent to February 25 (and before the next deadline) will appear in the MCC data on April 5. Also, enhancements will not appear in MCC until they become effective. Once effective, enhancements will be included in the next monthly update.

Important Information for Accessing HPMS

Beginning December 8, 1999, HCFA will require that M+COs access the HPMS by establishing connectivity to the Medicare Data Communications Network (MDCN). After achieving MDCN connectivity, M+COs will access the HPMS at the following URL: <http://32.82.208.82/>. M+COs should refer to OPL99.101 for technical direction regarding the migration to the MDCN for HPMS access.

Questions

Questions regarding revisions to the ACR and BIF should be sent to the following E-mail address: MYBC2000@[hcfa.gov](mailto:MYBC2000@hcfa.gov). For technical assistance regarding the electronic submission of revised ACR/BIFs, please contact the HPMS Help Desk at **1-800-220-2028**.

Contact: HCFA Regional Office Managed Care Staff.

This OPL was prepared by the Center for Health Plans and Providers.